

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JULY 14, 2004

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Evie Taft, Human Resources Administrator; Nicole Horton, Wine Marketing Specialist; Tom Chagnon, Assistant Director of Information Technology; George Tsiopras, Chief Financial Officer. Guests: Al Picconi, United Beverages, Inc.

EXCUSED: Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending July 11, 2004 shows retail sales were up a little over 9.7%, on-premise sales were down almost -.30%, off-premise sales were also down by 30.30%, and total aggregate sales were up about .57%. The traffic count was down by 15,648, while the average sales ticket increased by \$2.65.

The W-I Total Weekly Sales report for the same period confirms total sales were up .57% or \$43,787 over the same week last year. For the year, sales were up 8.49% or \$1,091,956. Wine sales for the week were down -7.10% or (\$250,987), but were up for the year by 3.64% or \$199,692. Sales of spirits increased 7% or \$294,774 for the week, and were also up year-to-date by 12.09% or \$892,264.

B. Budget/Administrative Reports:

There was nothing of significance to report regarding outstanding depletions and post-offs for the past week. All May invoices are not due until next week.

Beginning next week the gift card report will change to include projected FY05 numbers to compare with FY04.

Craig will attend this morning's Governor & Council meeting at 10:00 a.m. The ACR contract will be on the agenda, as well as the Chairman's travel expenses.

The transition in alarm companies has been completed in all stores. There were some difficulties with the company which lost the bid. A letter will be sent to Purchase and Property informing them of this.

The W-6 Expense Budget Activity Variance Report for the week ending 7/13/04 shows the year to be at around 3.56% expired, with total expenditures at about 3.89% of the budget. Expenditures are high because of the benefits category. An analysis is being done to determine what future expenses will be. In addition, work is being done on Class 50, 18 and 19 reports for Store Operations. Preparations are being made for the new budget. 7-Ds were submitted last week for the Bedford store location. Rough figures have been developed for possible consolidation of the Berlin and Gorham stores.

2. IT Report:

IT personnel will be traveling to Store #76 Hampton today to determine what wiring requirements will be for the alternate operations site.

IT is also looking at a software solution which would allow patch management through automation and eliminate personnel having to visit each individual computer on foot.

Tom reported that the issue of cold temperatures inside the computer room seems to have improved.

3. Human Resources Report:

There was no report given, but a special report on workers' compensation will be presented by representatives from Liberty Mutual at the conclusion of the Enforcement meeting today.

II. MARKETING & SALES REPORTS

1. Store Operations:

Retail store sales increased by 8.16% or \$485,318.76 for the week ending 7/11/04, with Store #67 Hooksett and Store #73 Hampton (both southbound) rising dramatically.

There will be a Supervisors' Meeting next Thursday from 10:00 a.m. to 1:00 p.m., which will also be attended by members of the Enforcement Bureau. Several regional managers' meetings are also scheduled over the next couple of weeks.

The Bedford lease has been forwarded to Hannaford in Maine. Peter hopes for a timely execution. He will send down information on the store layout to the Commission when it becomes available. George will prepare a letter to go to Fiscal Committee to obtain funds for this store.

Commissioner Russell suggested having a small ribbon-cutting ceremony for the new Keene store when it opens next May.

An analysis of the “Ride the Wave of Savings” program, which took place from May 31 through June 27, 2004, shows bottle sales increased by 70,000 storewide.

Peter distributed a store hours of operation analysis for the top 20 stores. No changes were suggested except to extend hours for Store #1 Concord. It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that hours of operation be extended for Store #1 Concord until 9:00 p.m., and for Store #41 Seabrook from 9:00 a.m. to 8:00 p.m. The motion was unanimously adopted.

Commissioner Russell questioned if there was a need for more security at the highway stores.

Peter reported that employees at Store #38 in Portsmouth sometimes have to wait fifteen minutes in order to use the restrooms due to the influx of customers using the facilities there. Commissioner Byrne said he would not support the use of porta potties.

2. Purchasing Report:

John Bunnell reported that Mike Goclowski is developing a new list to help track daily out-of-stocks at Law Warehouse. Marketing is also working with wine vendors on shortages of goods for summer promotions, since more stock is needed than anticipated.

3. Merchandising Report:

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Armadale Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Martignetti Companies of N.H./William Grant & Son for a new test market

listing for Armadale Vodka, 750ML size (assigned four-digit Code #3611), as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

b. Test Market Request (Lloyd's Amaretto):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Martignetti Companies of N.H./Dock & Lord, Ltd. for a new test market listing for Lloyd's Amaretto, 1.75L size (assigned four-digit Code #5226), as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

c. Test Market Request (Lloyd's Sour Lemon & Strawberry Grapefruit Schnapps):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Martignetti Companies of N.H./Dock & Lord, Ltd. for new test market listings for Lloyd's Sour Lemon Schnapps, 750ML size (assigned four-digit Code #5206) and Lloyd's Strawberry Grapefruit Schnapps, 750ML size (assigned four-digit Code #5216), as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

d. Test Market Request (Fris Vodka Skandia Apple):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/Shaw Ross International for a new test market listing for Fris Vodka Skandia Apple, 750ML size (assigned four-digit Code #3885), as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

e. Test Market Request (Absolut Raspberri Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Future Brands LLC for a new test market listing for Absolut Raspberri Vodka, 750ML size (assigned four-digit Code #3584), as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

f. Test Market Request (Elijah Craig 12-Year Bourbon):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Heaven Hill Distillers for a new test market listing for Elijah Craig 12-Year Bourbon, 750ML size (assigned four-digit Code #2136), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. Test Market Results (Codes #1268 & #4644):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve specialty listings for Code #1268, Erin Go Bragh Irish Whiskey, 750ML size and Code #4644, Pierre Ferrand Ambre Cognac, 750ML size, as each item exceeded the gross profit requirements for specialty status consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Appeal (Cruzan Light Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission grant an appeal from United Beverages, Inc./Todhunter International, Inc. to the delisting of Code #8452, Cruzan Light Rum, 1.75L for failure to achieve gross profit requirements, and allow an extension through Labor Day 2004. The motion was unanimously adopted.

3) Product Demo Request:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Todhunter International, Inc. to conduct product demonstrations for Blavod Black Vodka at Stores #76 Hampton, #50 Nashua and #66 Hooksett on July 16, 23 and 30, 2004 from 4:00 p.m. to 7:00 p.m., as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

4) One Time Purchase (Small Batch Bourbon Collection):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve an offer from United Beverages, Inc./Future

Brands LLC to make a one-time purchase of 30 barrels (1,320 cases) of the “Small Batch Bourbon Collection”, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

5) September Special Offers:

a. 5 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of five (5) spirit items, to be featured on sale during September 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 8 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of eight (8) spirit items, to be featured on sale during September 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 60 items – Executive Wine/Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Executive Wine/Martignetti Companies of N.H., based upon depletions of sixty (60) spirit items, to be featured on sale during September 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 2 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Pine State Trading Company, based upon depletions of two (2) spirit items, to be featured on sale during September 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 78 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of seventy-eight (78) spirit items, to be featured on sale during September 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 3 items (unmatched) – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of three (3) spirit items, without matching State funds, to be featured on sale during August 2004, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. 47 items (unmatched) – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of forty-seven (47) spirit items, without matching State funds, to be featured on sale during September 2004, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

Nicole reported that the summer promotions have resulted in an increase in sales of over \$70,000 for the month of June. The “buy one, get one free” program from Martignetti has been the most successful. SKUs have been up by 2,000 for the month.

- 1) Proposed Wine Sale for October 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a 10% discount off the purchase of twelve (12) or more 750ML bottles of wine during the “Fall into Savings” sale scheduled for September 27 through October 31, 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for September 2004:

a. 6 items – Wineberries, Ltd.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Wineberries, Ltd., based upon depletions of six (6) wine items, to be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 3 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from R.P. Imports, based upon depletions of three (3) wine items, to be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 9 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from R.P. Imports, based upon depletions of nine (9) wine items, to be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 27 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of twenty-seven (27) wine items, to be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 11 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of eleven (11) wine items, to

be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 7 items – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Pine State Trading Company/E & J Gallo Winery, based upon depletions of seven (7) wine items, to be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. 12 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Pine State Trading Company, based upon depletions of twelve (12) wine items, to be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- h. 23 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of twenty-three (23) wine items, to be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- i. 65 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of sixty-five (65) wine items, to be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- j. 59 items – Horizon Beverage Company

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of fifty-nine (59) wine items, to be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Special Offers for the Summer Sale in August 2004 (1 item – Horizon):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a special offer from Horizon Beverage Company, based upon depletions of one (1) wine item, to be featured on sale during the August 2004 Summer Sale, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Wine Delist & Warnings (15 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve delistings and warnings for fifteen (15) wine items which have failed to meet required gross profit requirements as of June 30, 2004, as recommended by Kathleen Hass, Director of Purchasing and Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Napa Valley Vineyards Sweepstakes Tasting:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Pine State Trading Company/E & J Gallo Winery to conduct tastings in ten (10) stores during August and September 2004 from 4:00 to 6:00 p.m. in conjunction with the Napa Valley Vineyards Sweepstakes, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) Close Out (3 codes – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve price reductions on three (3) wine codes submitted by United Beverages, Inc., including a floor stock adjustment and mark-up, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Wine Specialty Products (6 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the listing of six (6) wine codes as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Primary Source Submissions (5 primary source; 29 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the listing of five (5) wine codes which are from primary source, and twenty-nine (29) wine codes which are not from primary source, but are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve all previously reviewed requests for bailment releases/transfers dated July 8 through July 14, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

